

SGX Requirements for Listed Companies Conducting an Initial Coin Offering

On 15 November 2018, Singapore Exchange Regulation (“SGX RegCo”) announced requirements for listed companies planning to conduct an Initial Coin Offering (“ICO”) on the Regulator’s Column. Singapore Exchange (“SGX”) clarified that even if an SGX-listed company is the issuer of digital tokens, those tokens are **not** listed on SGX. Therefore, SGX’s rules cover only the SGX listed company. Neither the tokens nor token-holders are covered by SGX’s rules.

Listed companies to consult SGX RegCo prior to ICO

The Regulator’s Column set out new requirements for SGX-listed companies which are looking to conduct ICOs.

1. Before conducting an ICO, listed issuers are expected to consult SGX RegCo. In addition, they must first obtain from reputable professional firms a legal opinion on the nature of the digital tokens, as well as an auditor’s opinion on the ICO’s accounting treatment.
2. SGX may require additional opinions to be obtained. They will also provide a checklist to the listed issuer on outstanding compliance matters to be addressed.

Disclosure requirements upon ICO

When the issuer announces its ICO, it must make certain disclosures of material information to keep its shareholders apprised of the fund-raising, including the rationale for the ICO, the risks arising from the ICO, the use of funds raised and key milestones to be achieved in utilizing the funds, the accounting and valuation

treatments for the ICO, the use of existing issuer funds to conduct the ICO, if any, “know-your-customer” checks to be conducted to address money laundering and terrorist financing risks, the financial impact on the issuer as a result of the token issuance as well as impact of any contingent settlement provisions, and any impact on existing shareholders’ rights. SGX RegCo expects disclosures of material information to shareholders to continue post-ICO as necessary.

Further, listed issuers are required to reach an agreement with their statutory auditors as to the scope of the audit such that it provides assurance that the ICO has been properly accounted for in the company’s financial statements and that the associated risks have been adequately managed and milestones on fund utilization have been adhered to.

Listed issuers may also wish to consider holding sharing sessions with shareholders before the ICO to ensure shareholders understand the implications of the ICO.

Additional measures for ICOs of tokens construed as “securities”

Where the tokens are construed as “securities/capital markets products”, which are regulated under the Securities and Futures Act (“SFA”) {the criteria for regulated products is set out in its 30 November 2018 Guide to Digital Token Offerings, a summary of which can be found [here](#)}, additional requirements such as prospectus registration, and securing of applicable licenses, will apply. SGX RegCo may also require listed issuers to establish a subsidiary to carry out the ICO.

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For further information on the above, please contact our Cryptocurrency Law and Practice Team.

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